

**CITY OF NODAWAY**

**INDEPENDENT ACCOUNTANT'S REPORT  
ON THE STATUS OF PERIODIC EXAMINATION  
FINDINGS AND RECOMMENDATIONS**

**FOR THE PERIOD  
DECEMBER 1, 2015 THROUGH MAY 31, 2016**

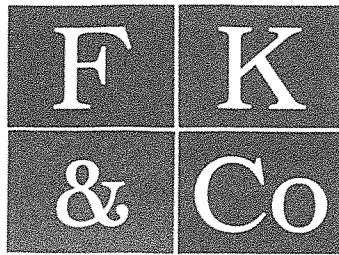
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## City of Nodaway

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>(Before January 2016)</u>		
Pat Shipley	Mayor	Jan 2016
Hartford Cooper	Council Member	Jan 2016
Christine Dunn	Council Member	Jan 2016
Gary Poen	Council Member	Jan 2016
Rebecca Poen	Council Member	Jan 2016
Christine Wiechman	Council Member	Jan 2016
Lori Shires	City Clerk	Indefinite
<u>(After January 2016)</u>		
Pat Shipley	Mayor	Jan 2018
Hartford Cooper	Council Member	Jan 2018
Christine Dunn	Council Member	Jan 2018
Gary Poen	Council Member	Jan 2018
Rebecca Poen	Council Member	Jan 2018
Brenda Dunn	Council Member	Jan 2018
Lori Shires	City Clerk	Indefinite



FALLER, KINCHELOE & Co, PLC

Certified Public Accountants

Independent Accountant's Report on the Status of Periodic  
Examination Findings and Recommendations

To the Honorable Mayor  
and Members of City Council:

Faller, Kincheloe & Co, PLC issued a Periodic Examination Report dated September 22, 2014 on the City of Nodaway, Iowa covering the period July 1, 2013 through June 30, 2014 pursuant to Chapter 11.6 of the Code of Iowa. The report included certain findings and recommendations pertaining to the City's financial processes and compliance with laws and regulations.

This report includes the findings and recommendations from the City's Periodic Examination Report dated September 22, 2014 and the current status of the City's implementation of the recommendations included in that report.

The City Council has a fiduciary responsibility to provide oversight of the City's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity. Many of the findings included in this report indicate the City Council needs to exercise additional fiduciary oversight.

Oversight by the City Council is essential and should be an ongoing effort by all members. The City Council should exercise due care and require and review pertinent information and documentation to ensure the reliability of financial information and compliance with laws and regulations. Appropriate policies and procedures should be adopted, implemented and monitored to ensure compliance

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Nodaway and other parties to whom the City of Nodaway may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Nodaway during the course of our follow-up procedures. Should you have questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
Faller, Kincheloe & Co, PLC

October 17, 2016

## CITY OF NODAWAY

### Report on the Status of Periodic Examination Findings and Recommendations

#### **Findings Reported in the Periodic Examination Report dated September 22, 2014**

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:

1. Cash – handling, reconciling and recording.
2. Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
3. Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
4. Payroll – recordkeeping, preparation and distribution.
5. Financial reporting – preparing and reconciling.
6. Journal entries – preparing and journalizing.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be evidenced by the signature or initials of the reviewer and the date of the review.

**Current Status – Not corrected. The recommendation is repeated.**

- (B) Bank Reconciliations – The cash and investment balances in the City's general ledger were not reconciled to bank and investment balances throughout the year. For two months reviewed, the City was not keeping track of its book balances.

Recommendation - The City should establish procedures to ensure bank and investment account balances are reconciled to the general ledger monthly and that book balances are maintained. Variances, if any, should be reviewed and resolved timely.

**Current Status - Not corrected. The recommendation is repeated.**

- (C) Clerk's Report – A monthly Clerk's report, including a summary of receipts, disbursements, beginning balances and ending balances by fund, is not prepared.

Recommendation – The City Clerk should prepare a monthly Clerk's report which includes a summary of receipts, disbursements, beginning balances and ending balances by fund. The City Council should review and approve of the Clerk's report monthly.

## CITY OF NODAWAY

### Report on the Status of Periodic Examination Findings and Recommendations

**Current Status – Partially corrected. The Clerk prepares a list of bank account balances for each month that is approved by the City Council. The Clerk's list of bank account balances does not include a summary of receipts, disbursements, beginning balances and ending balances by fund.**

(D) City Council Minutes – The following were identified:

- All four City Council meetings tested were not signed as required by Chapter 380.7 of the Code of Iowa.
- Chapter 372.13(6) of the Code of Iowa requires the posting of the City Council minutes include the total disbursements from each city fund, a summary of all receipts and the reason for the claims. We noted that this requirement was not met by the City for all four meetings tested.

**Recommendation – The City should comply with Chapters 380.7 and 372.13(6) of the Code of Iowa. In addition, the City should ensure all minutes are signed and that the posting of the City Council minutes include total disbursements from each city fund, a summary of all receipts and the reason for the claims, as required.**

**Current Status – Partially corrected. The Clerk is signing the minutes as required by Chapter 380.7 of the Code of Iowa. The minutes tested included a list of all claims allowed and the reason for the claim as required by Chapter 372.13(6) of the Code of Iowa. However, the minutes tested did not include total disbursements by fund and a summary of all receipts collected.**

(E) Investment Policy – The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.

**Recommendation – The City should adopt a written investment policy that complies with the provisions of Chapter 12B.10B of the Code of Iowa.**

**Current Status – Not corrected. The recommendation is repeated.**

(F) Official Depositories – A resolution naming official depositories has not been adopted by the City Council as required by Chapter 12C.2 of the Code of Iowa.

**Recommendation – A resolution in amounts sufficient to cover anticipated balances at all approved depositories should be adopted by the City Council as required.**

## CITY OF NODAWAY

### Report on the Status of Periodic Examination Findings and Recommendations

**Current Status – Partially corrected.** The City has adopted a resolution naming official depositories as required by Chapter 12C.2 of the Code of Iowa. However, the resolution does not list the maximum amount the City is allowed to deposit at the institution.

- (G) Chart of Accounts – The City has not fully implemented the Uniform Chart of Accounts (COA) for Iowa City Governments approved by the City Finance Committee on September 25, 2002.

Recommendation – To provide better financial information and control, the COA, or its equivalent, should be followed.

**Current Status – Not corrected. The recommendation is repeated.**

- (H) Accounting Records – While the City has the bank statements for the gaming and food sale operations, the City does not maintain any accounting records for these activities.

Recommendation – The City should implement procedures to ensure accounting records are maintained for all City operations.

**Current Status – Not corrected. The recommendation is repeated.**

- (I) Certified Budget – It appears the City has no procedures in place to compare actual disbursements to budget disbursements, by function and in total.

Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the public safety, public works, culture and recreation and the general government functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

There was no indication that a public hearing was held on the City’s budget, as required by Chapter 384.16(4) of the Code of Iowa.

The City’s budget was adopted by motion of the Council. Chapter 384.16(5) of the Code of Iowa states, in part, “... the Council shall adopt by resolution a budget...”

Recommendation – The City should implement procedures to ensure actual disbursements are compared to budget disbursements by function and in total during the year. The budget should have also been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

## CITY OF NODAWAY

### Report on the Status of Periodic Examination Findings and Recommendations

The City should document in the Council minutes the public hearing on the budget as required by the Code of Iowa. In addition, the budget should be adopted by resolution of the Council in accordance with the Code of Iowa requirements.

**Current Status – Not corrected. The recommendation is repeated.**

- (J) Annual Financial Report – Chapter 384.22 of the Code of Iowa requires the City's Annual Financial Report contain a "summary for the preceding fiscal year of all collections and receipts, all accounts due the city, and all expenditures..." The City's Annual Financial Report reported receipts, disbursements and fund balances which do not agree with the City's records.

Recommendation – The City should ensure all amounts included in future Annual Financial Reports are supported by the amounts recorded in the City's records.

**Current Status – Not corrected. The recommendation is repeated.**

- (K) Business Transactions – Except as follows, no business transactions between the City and City officials or employees for the year ended June 30, 2014 were noted. During the year, a Council Member was paid \$2,400 for the fiscal year while serving as the City's facility maintenance employee. In addition, this same Council Member was paid an additional amount for City mowing and snow removal duties.

In accordance with Chapter 372.13(8) of the Code of Iowa, an elected city officer is not entitled to receive any other compensation for any other city office or city employment during that officer's tenure in office.

Recommendation – The City should consult legal counsel to determine the disposition of this matter.

**Current Status – Not corrected. The recommendation is repeated.**

- (L) Payroll – The City employee is not required to keep a timesheet, and the related hours worked by the employee are not approved by the Council.

No evidence could be located which documents that the City Council approved of the wage rate of the City employee. Some individuals paid by the City are paid as independent contractors, even though it would appear these individuals are employees based on the requirements of the Internal Revenue Service.



## CITY OF NODAWAY

### Report on the Status of Periodic Examination Findings and Recommendations

Recommendation – The City should implement procedures to ensure all City employees keep timesheets of hours worked, and that the City Council approve of all hours worked prior to payment. In addition, the City Council should approve of all pay rates for City employees. Also, the City should ensure compliance with Internal Revenue Service requirements in relation to the payment of independent contractors.

**Current Status – Not corrected. The recommendation is repeated.**

- (M) Miscellaneous – Chapter 372.13(6) of the Code of Iowa requires the City permanently designate by ordinance the three public places in which the City will post its official notices. We noted that the City is not posting its official notices in the three public places currently designated by the City's ordinance.

The City Council minutes do not document the date of the City Council meetings. On most City Council minutes, the City documents the month of the meeting, but the City Council minutes do not document the day of the meeting.

Recommendation – The City should ensure compliance with Chapter 372.13(6) of the Code of Iowa in relation to the posting of the official notices. In addition, the City should document the date on all City Council meeting minutes.

**Current Status – Not corrected. The recommendation is repeated.**

- (N) 1099-Misc. Forms - Internal Revenue Service 1099-Misc. forms were not issued by the City as required.

Recommendation – The City should issue Internal Revenue Service 1099-Misc. forms as required.

**Current Status – Not corrected. The recommendation is repeated.**

- (O) Employee Benefits Levy – The City levies property tax for employee benefits. The City levied \$1,000 for employee benefits. Benefits paid for employee benefits totaled \$398, indicating excess property tax is being levied for this purpose.

Recommendation – The property tax levy should be reduced to the estimated disbursements for employee benefit purposes.

**Current Status – Not corrected. The recommendation is repeated.**